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*Directorate of Intelligence*

# Economic Intelligence Weekly

25 May 1995

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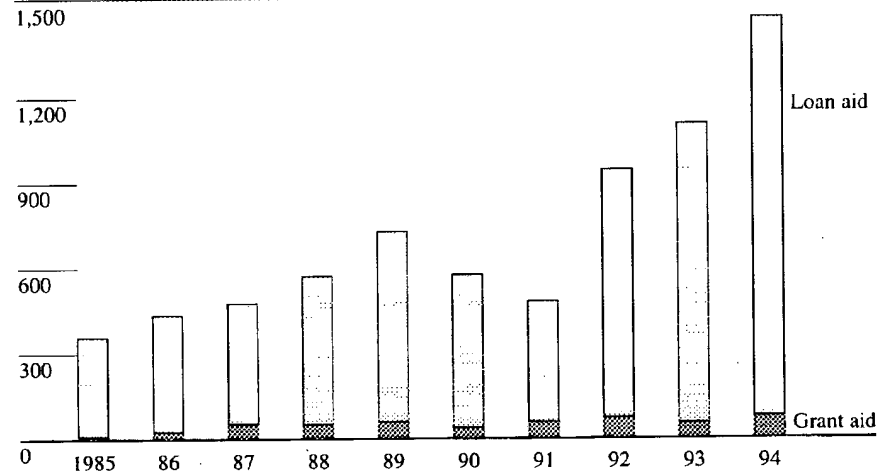
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# Japanese Concessional Loans to China Dwarf Grants

Million US \$



Source: Official Japanese Government statistics.

## Japan Threatens To Reduce Grant Aid to China

\_\_\_\_\_ Tokyo to cut grant aid to Beijing below the \$78 million provided last year in response to China's recent nuclear test. The move follows Prime Minister Murayama's instruction to the Foreign Ministry to devise specific measures to convey Tokyo's displeasure over the nuclear tests, according to press reports.

- Japanese press commentators say that Murayama is responding to sharp criticism from coalition members and the public who have been urging Tokyo to issue a "strong" protest.
- The media also say that the Prime Minister is reacting to charges that Tokyo has not enforced its 1992 aid charter, which states that Japan will take into account the development and production of weapons of mass destruction when making aid decisions. \_\_\_\_\_

***If Tokyo does cut the level of its grant aid, this would mark the first time it has reduced aid to Beijing to protest Chinese nuclear policy.***

— After China's nuclear tests in 1993 and 1994, Tokyo lodged only formal protests and issued strong public statements.

***Any cut in grant aid, however, would be a largely symbolic gesture.*** The vast bulk of Japan's aid to China is in the form of concessional loans, which would not be affected,

— In 1994, Tokyo provided Beijing roughly \$1.4 billion in loans, and Japan is committed to providing China with approximately \$6.8 billion from 1996 to 1998.

***Indeed, the Japanese Foreign Ministry is already signaling that it does not want cuts in aid grants to jeopardize broader ties to China.***

— Vice Foreign Minister Saito said that he did not want the decision to harm bilateral relations and that Beijing would understand the Japanese action because Tokyo has repeatedly conveyed its stand on the issue.

#### ***Europe***

